

## Second Quarter Financial Statement And Dividend Announcement

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

**1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

PROFIT AND LOSS ACCOUNTS	Group					
	2nd Qtr 2003-04	2nd Qtr 2002-03	%	1st Half 2003-04	1st Half 2002-03	%
	S\$M	S\$M	Change	S\$M	S\$M	Change
<b>REVENUE</b>	156.5	212.6	-26.4	326.0	426.4	-23.5
<b>EXPENDITURE</b>						
Staff costs	60.0	78.6	-23.7	123.2	154.6	-20.3
Material costs	40.0	59.1	-32.3	84.3	124.9	-32.5
Depreciation	5.8	5.5	+5.5	11.6	10.9	+6.4
Company accommodation	9.8	9.9	-1.0	19.7	19.9	-1.0
Other operating expenses	8.8	18.9	-53.4	39.4	43.8	-10.0
	124.4	172.0	-27.7	278.2	354.1	-21.4
<b>OPERATING PROFIT</b>	32.1	40.6	-20.9	47.8	72.3	-33.9
Interest income	0.7	1.0	-30.0	1.5	1.9	-21.1
Surplus on sale of fixed assets	-	-	-	0.1	-	n.m.
Dividend income from long-term investment	0.4	0.4	-	0.4	0.4	-
Amortisation of goodwill on acquisition of associated companies	(0.1)	(0.1)	-	(0.2)	(0.1)	n.m.
Share of profits of associated companies	12.4	18.2	-31.9	24.9	36.8	-32.3
Share of profits of joint	0.5	1.4	-64.3	0.4	-	n.m.

venture companies						
<b>PROFIT BEFORE EXCEPTIONAL ITEM</b>	46.0	61.5	-25.2	74.9	111.3	-32.7
Retrenchment and early retirement costs	-	-	-	(3.1)	-	n.m.
<b>PROFIT BEFORE TAXATION</b>	46.0	61.5	-25.2	71.8	111.3	-35.5
Provision for taxation	(7.7)	(7.2)	+6.9	(10.6)	(12.6)	-15.9
Adjustment for reduction in Singapore corporate tax rate	-	-	-	-	2.7	n.m.
<b>PROFIT AFTER TAXATION</b>	38.3	54.3	-29.5	61.2	101.4	-39.6
Minority interest	-	-	-	-	(0.1)	n.m.
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS FOR THE FINANCIAL PERIOD</b>	38.3	54.3	-29.5	61.2	101.3	-39.6

n.m.: not meaningful

Note:	<b>2nd Qtr 2003-04</b>	<b>2nd Qtr 2002-03</b>	<b>%</b>	<b>1st Half 2003-04</b>	<b>1st Half 2002-03</b>	<b>%</b>
Operating profit is arrived at after accounting for:	<b>S\$M</b>	<b>S\$M</b>	<b>Change</b>	<b>S\$M</b>	<b>S\$M</b>	<b>Change</b>
Bad debts recovered	(0.4)	(0.7)	-42.9	(0.4)	(1.0)	-60.0
Foreign exchange (gain)/loss:						
- realised	0.1	0.3	-66.7	(0.1)	0.3	n.m.
- unrealised	2.2	1.3	+69.2	4.6	4.7	-2.1
(Writeback)/ Provision for doubtful debts, net	(5.3)	(0.4)	n.m.	3.9	4.4	-11.4

n.m.: not meaningful

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

BALANCE SHEETS	Group		Company	
	30 Sep 03	31 Mar 03	30 Sep 03	31 Mar 03
	S\$M	S\$M	S\$M	S\$M
<b>SHARE CAPITAL</b>				

Authorised		300.0	300.0	300.0	300.0
Issued and fully paid		100.3	100.0	100.3	100.0
<b>RESERVES</b>					
Distributable					
General reserve		770.7	731.9	682.4	659.3
Foreign currency translation reserve		0.3	5.0	0.2	0.3
Non-distributable					
Share premium		4.1	0.8	4.1	0.8
		775.1	737.7	686.7	660.4
<b>SHARE CAPITAL AND RESERVES</b>		875.4	837.7	787.0	760.4
<b>MINORITY INTEREST</b>		1.9	2.0	-	-
<b>DEFERRED TAXATION</b>		9.5	10.7	9.5	10.7
		886.8	850.4	796.5	771.1
Represented by :-					
<b>FIXED ASSETS</b>		201.5	194.8	197.4	190.6
<b>SUBSIDIARY COMPANIES</b>		-	-	5.3	5.3
<b>ASSOCIATED COMPANIES</b>		256.1	244.4	160.7	160.7
<b>JOINT VENTURE COMPANIES</b>		52.1	52.6	57.5	57.5
<b>LONG-TERM INVESTMENTS</b>		23.5	23.6	23.5	23.6
<b>CURRENT ASSETS</b>					
Trade and other debtors		26.8	50.6	25.9	49.5
Immediate holding company		40.6	58.5	40.4	58.3
Related parties		21.8	24.5	21.8	24.6
Term-loan due from an investee company		0.4	0.9	0.4	0.9
Stocks		13.1	13.1	12.5	12.2
Work-in-progress		8.7	27.7	7.8	27.0
Short-term deposits		343.2	338.3	343.2	338.3
Cash and bank balances		107.8	60.8	106.8	59.6
		562.4	574.4	558.8	570.4
Less:-					

<b>CURRENT LIABILITIES</b>					
Trade and other creditors		182.0	218.3	180.9	216.9
Bank loans		1.0	1.0	-	-
Provision for taxation		25.8	20.1	25.8	20.1
		208.8	239.4	206.7	237.0
<b>NET CURRENT ASSETS</b>		353.6	335.0	352.1	333.4
		886.8	850.4	796.5	771.1

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

**Amount repayable in one year or less, or on demand**

As at 30/09/2003		As at 31/03/2003	
Secured	Unsecured	Secured	Unsecured
-	S\$1.0M	-	S\$1.0M

**Amount repayable after one year**

As at 30/09/2003		As at 31/03/2003	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

**Details of any collateral**

nil

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

<b>CASH FLOW STATEMENTS</b>	<b>Group</b>			
	2nd Qtr	2nd Qtr	1st Half	1st Half

	2003-04 S\$M	2002-03 S\$M	2003-04 S\$M	2002-03 S\$M
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	24.5	34.6	84.1	70.7
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Additions to fixed assets	(9.9)	(5.5)	(18.2)	(10.4)
Proceeds from sale of fixed assets	-	-	0.1	-
Proceeds from capital reduction of joint venture companies	-	-	1.1	-
Investments in associated companies	-	-	-	(11.9)
Investments in joint venture companies	-	(2.6)	-	(5.3)
Dividends from associated companies	2.8	6.8	2.8	8.4
Dividends from long-term investments	0.4	0.4	0.4	0.4
Loans to investee companies	-	(0.1)	-	(0.2)
Payment of loans from investee companies	0.4	-	0.4	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(6.3)</b>	<b>(1.0)</b>	<b>(13.4)</b>	<b>(19.0)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from the issuance of new shares	3.6	0.8	3.6	0.9
Dividends paid	(22.4)	(27.4)	(22.4)	(27.4)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(18.8)</b>	<b>(26.6)</b>	<b>(18.8)</b>	<b>(26.5)</b>
<b>NET CASH (OUTFLOW)/INFLOW</b>	<b>(0.6)</b>	<b>7.0</b>	<b>51.9</b>	<b>25.2</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	<b>451.6</b>	<b>298.2</b>	<b>399.1</b>	<b>280.0</b>
<b>CASH AND CASH</b>	<b>451.0</b>	<b>305.2</b>	<b>451.0</b>	<b>305.2</b>

<b>EQUIVALENTS AT 30 SEPTEMBER</b>					
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>					
Short-term deposits		343.2	228.4	343.2	228.4
Cash and bank balances		107.8	76.8	107.8	76.8
		<b>451.0</b>	<b>305.2</b>	<b>451.0</b>	<b>305.2</b>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

<b>STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>					
<b>Group (\$M)</b>	Share capital	General reserve	Share premium	Foreign currency translation reserve	Total
Balance at 1 July 2002	100.0	616.7	-	13.0	729.7
Issue of new shares arising from employee share options exercised	-	-	0.8	-	0.8
Foreign currency translation differences	-	-	-	(6.5)	(6.5)
Profit attributable to shareholders for the second quarter	-	54.3	-	-	54.3
Dividends paid	-	(27.4)	-	-	(27.4)
Balance at 30 September 2002	100.0	643.6	0.8	6.5	750.9
Balance at 1 July 2003	100.0	754.8	0.8	4.5	860.1

Issue of new shares arising from employee share options exercised	0.3	-	3.3	-	3.6
Foreign currency translation differences	-	-	-	(4.2)	(4.2)
Profit attributable to shareholders for the second quarter	-	38.3	-	-	38.3
Dividends paid	-	(22.4)	-	-	(22.4)
Balance at 30 September 2003	100.3	770.7	4.1	0.3	875.4

<b>Company (\$M)</b>	Share capital	General reserve	Share premium	Foreign currency translation reserve	Total
Balance at 1 July 2002	100.0	571.2	-	0.8	672.0
Issue of new shares arising from employee share options exercised	-	-	0.8	-	0.8
Foreign currency translation differences	-	-	-	(0.4)	(0.4)
Profit attributable to shareholders for the second quarter	-	43.9	-	-	43.9
Dividends paid	-	(27.4)	-	-	(27.4)
Balance at 30 September 2002	100.0	587.7	0.8	0.4	688.9
Balance at 1 July 2003	100.0	671.2	0.8	0.3	772.3

Issue of new shares arising from employee share options exercised	0.3	-	3.3	-	3.6
Foreign currency translation differences	-	-	-	(0.1)	(0.1)
Profit attributable to shareholders for the second quarter	-	33.6	-	-	33.6
Dividends paid	-	(22.4)	-	-	(22.4)
Balance at 30 September 2003	100.3	682.4	4.1	0.2	787.0

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

#### **SHARE CAPITAL AND OPTIONS ON SHARES IN THE COMPANY**

(i) The issued and paid-up capital of the Company increased from \$100,043,700 as at 30 June 2003 to \$100,295,950 as at 30 September 2003. The increase is due to new shares allotted and issued pursuant to the exercise of share options granted under the SIA Engineering Company Limited Employee Share Option Plan, which comprises the Senior Executive Share Option Scheme for senior executives and the Employee Share Option Scheme for all other employees.

(ii) On 01 July 2003, options were granted under the SIA Engineering Company Limited Employee Share Option Plan ("Plan") to eligible employees to subscribe for 7,619,500 ordinary shares of \$0.10 each of the Company ("shares") out of which, options in respect of 7,526,300 shares were accepted by the employees. The exercise periods of the said options will commence on 01 July 2004 for senior executives (as defined under the Plan) or 01 July 2005 for other employees, and will expire on 30 June 2013. The exercise price of the shares under the said options is \$1.75 per share.

(iii) The movement of share options of the Company during the second quarter ended 30 September 2003 is as follows:

Date of grant	Balance at 1.7.2003/ date of grant	Cancelled	Exercised	Adjustment	Balance at 30.09.2003	Exercise Price	Expiry date
	14,695,550	30,800	0	0	14,664,750	\$2.05	



28.03.2000							27.03.2010
03.07.2000	13,714,850	27,200	6,800	0	13,680,850	\$1.95	02.07.2010
02.07.2001	15,327,800	20,000	2,515,700	0	12,792,100	\$1.41	01.07.2011
01.07.2002	16,526,000	131,600	0	0	16,394,400	\$2.38	30.06.2012
01.07.2003	7,619,500	3,600	0	93,200	7,522,700	\$1.75	30.06.2013
	67,883,700	213,200	2,522,500	93,200	65,054,800		

(iv) As at 30 September 2002, the number of share options of the Company outstanding was 60,713,800.

**2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures have not been audited nor reviewed by the auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

n.a.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The same accounting policies and methods of computation have been applied.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

There was no change in the accounting policies and method of computation.

**6. Earnings per ordinary share of the group for the current period reported**

on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	<b>Group</b>			
	<b>2nd Qtr 2003-04</b>	<b>2nd Qtr 2002-03</b>	<b>1st Half 2003-04</b>	<b>1st Half 2002-03</b>
Basic earnings per share (cents) *	3.82	5.43	6.11	10.13
Diluted earnings per share (cents) #	3.81	5.39	6.09	10.09

\* Based on the weighted average number of fully paid shares in issue.

# Based on the weighted average number of fully paid shares in issue, after adjusting for dilution of shares under the employee share option plan.

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 03</b>	<b>31 Mar 03</b>	<b>30 Sep 03</b>	<b>31 Mar 03</b>
Net asset value per share (cents)	87.3	83.7	78.5	76.0

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

## **COMMENTS ON 2ND QUARTER GROUP RESULTS**

### ***Performance***

The impact of lower demand and depressed rates as a result of the downturn in the aviation industry at the beginning FY2003/04 continues to bear on the Group's second quarter July to September 2003 financial performance. As compared to the corresponding period last year, the Group's operating profit decreased by \$8.5 million (or -20.9%) to \$32.1 million. Profit attributable to

shareholders was \$38.3 million, \$16.0 million or 29.5% lower than the same period last year.

### **Operating Revenue**

The Group generated an operating revenue of \$156.5 million for the current quarter ended 30 September 2003, compared to \$212.6 million for 2QFY2002/03. The 26.4% decrease in revenue was mainly due to a reduction of workload and softening of rates.

The Group operates in Singapore in one business segment, that of maintenance, repair and overhaul of aircraft and aircraft engines. A breakdown of revenue by airframe and component overhaul and line maintenance and technical ground handling activities is as follows:

	GROUP		
	2nd Qtr 2003-04 S\$M	2nd Qtr 2002-03 S\$M	% Change
<b>Business Activity</b>			
Airframe and component overhaul services	99.1	128.8	-23.1
Line maintenance and technical ground handling	57.4	83.8	-31.5
	156.5	212.6	-26.4

Revenue from airframe and component overhaul work declined by 23.1% to \$99.1 million as a result of downsizing by airline customers. Line maintenance revenue fell by 31.5% to \$57.4 million in the current quarter, largely due to reduced traffic through Changi Airport.

### **Operating Expenditure**

The impact of the decline in revenue was mitigated by cost cutting measures implemented in response to the business downturn. All planned expenditure, except for those deemed essential, were deferred, slowed down or cancelled. As a result, operating expenditure fell by \$47.6 million (or -27.7%) to \$124.4 million.

Staff costs declined by \$18.6 million (-23.7%) to \$60.0 million. This was mainly due to a nil provision for profit-sharing bonus, cost savings from the retrenchment exercise (carried out in June 2003) and pay cuts which came into effect from July 2003. A significant decrease in subcontract labour cost and a recovery of debts for which provisions had previously been made resulted in a further reduction in expenditure.

### **Share of profits of associated companies and joint venture companies**

The performance of our associated companies and joint venture companies was similarly affected by the downturn in the aviation industry. Share of profits decreased \$6.7 million or 34.2% from the same period last year. The Group's share of profits of associated and joint venture companies for the second quarter amounts to \$12.9 million representing 28.0% of its pre-tax profit.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

The Group's performance for the second quarter is above our prior expectation. Profit attributable to shareholders registered an improvement of \$15.4 million in Q2 as compared to Q1. This is mainly due to significant reductions in staff costs and subcontract costs coupled with higher recovery of doubtful debts.

**10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

**OUTLOOK**

In line with the progressive restoration of flights, our line maintenance business should benefit from the improving traffic at Changi Airport.

Despite traffic upturn in the region, the global maintenance, repair and overhaul (MRO) market continues to be characterised by overcapacity and soft rates. Operating revenue for the October-December period is thus expected to be comparable to the previous quarter.

While there are some early signs of recovery, the outlook for the rest of the year remains uncertain due to underlying volatile economic conditions.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	2.0 cents per ordinary share (tax

	exempt)
Par value of shares	\$0.10
Tax Rate	-

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	2.0 cents per ordinary share (less tax)
Par value of shares	\$0.10
Tax Rate	22.0%

**(c) Date payable**

The interim dividend will be paid on 28 November 2003 to members of the Register as at 13 November 2003.

**(d) Books closure date**

Notice is hereby given that duly completed transfers received by the Share Registrars, KPMG, at 138 Robinson Road, #17-00, The Corporate Office, Singapore 068906 up to 5 p.m. on 13 November 2003 will be registered to determine shareholders' entitlements to the interim dividend. Thereafter the Share Transfer Books and the Register of Members of the Company will be closed on 17 November 2003 for the preparation of dividend warrants. The interim dividend will be paid on 28 November 2003 to members of the Register as at 13 November 2003.

**12. If no dividend has been declared/recommended, a statement to that effect**

n.a.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

**(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

n.a.

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

n.a.

**15. A breakdown of sales**

n.a.

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Total Annual Dividend (Refer to Para 16 of Appendix 7.2 for the required details)

	Latest Full Year ()	Previous Full Year ()
Ordinary		
Preference	0	0
Total:		

**ADDITIONAL INFORMATION**

**Interested Party Transactions**

(In thousands of S\$)

The aggregate value of interested persons transactions ("IPTs") entered into during the 2nd quarter of FY2003/04 are as follows:-

Name of interested person	Aggregate value of all IPTs	Aggregate value of all IPTs
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	during the quarter under review (excluding transactions less than \$100,000 and transactions pursuant to the IPT Mandate (or a shareholders' mandate for IPTs under Rule 920 of the New Listing Manual)		under the IPT Mandate (or a shareholders' mandate for IPTs under Rule 920 of the New Listing Manual) during the quarter under review (excluding transactions less than \$100,000)
Senoko Energy Supply Pte Ltd	-		1,300
Singapore Airlines Limited and its associates	-		8,212
Total	-		9,512

**BY ORDER OF THE BOARD**

Devika Rani Davar  
Company Secretary  
29/10/2003